

SENATE BILL REPORT

SB 6557

As of January 31, 2018

Title: An act relating to sales, use, and excise tax exemptions for self-help housing development.

Brief Description: Concerning sales, use, and excise tax exemptions for self-help housing development.

Sponsors: Senators Mullet, Warnick, Palumbo, Zeiger and O'Ban.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/30/18.

Brief Summary of Bill

- Exempts the building and sale of self-help housing by an affordable homeownership facilitator from retail sales and use tax and the real estate excise tax (REET).

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Jeff Olsen (786-7428)

Background: The sale of real property is subject to the state REET. The tax base is the selling price of the real property, without any deduction for mortgages, liens, or other debts. The tax is typically paid by the seller and the state REET rate is 1.28 percent.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary from 0.5 percent to 3.1 percent, depending on the location.

Self-help housing organizations support low-income individuals and families by assisting them in the development of residential dwellings by using homebuyer and volunteer labor.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: Sales and use tax does not apply to charges made for labor and services rendered by any affordable homeownership facilitator in respect to constructing, repairing, decorating, or improving new or existing self-help housing. In addition, sales and use tax does not apply to sales of tangible personal property that becomes an ingredient or component of the buildings or other structures during the course of the constructing, repairing, decorating, or improving of self-help housing. Self-help housing units must continue to be used by the initial low-income purchaser for at least five consecutive years, otherwise the full amount of tax otherwise due, is due immediately plus interest.

The sale by an affordable homeownership facilitator of self-help housing to a low-income household is exempt from REET. Affordable homeownership facilitator means a nonprofit community or neighborhood-based organization that acts as a developer of self-help housing. Low-income household means a single person, family, or unrelated persons living together whose adjusted income is at or below eighty percent of the median family income adjusted for family size. Self-help housing means dwelling residences provided for ownership by low-income individuals and families whose equity in the housing is substantially derived from their labor.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: This bill would have a minor impact on the state budget but a maximum impact on low-income homeowners. The tax savings could result in approximately \$7,000 in savings per new home built or remodeled, and those savings would be put right back into more affordable housing for low-income families. The Habitat for Humanity program has a very high success rate, and the end result is a new homeowner that will result in more taxpayers. With the current demand for affordable housing, there is a need for new sources of revenue. This modification helps build capacity for the program and would serve more low-income families. The Housing Finance Commission provides funding for Habitat for Humanity mortgages, and Washington was one of the first states to have a self-help program in rural areas through the United States Department of Agriculture.

Persons Testifying: PRO: Kim Herman, Washington State Housing Finance Commission; Daryl Daus, Habitat for Humanity; Michone Preston, Habitat for Humanity of Washington.

Persons Signed In To Testify But Not Testifying: PRO: Doug Jonson, Habitat for Humanity, Youth for Christ Tacoma; Becca Scanlan, Habitat for Humanity.